

USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

THIS REPORT CONTAINS ASSESSMENTS OF COMMODITY AND TRADE ISSUES MADE BY USDA STAFF AND NOT NECESSARILY STATEMENTS OF OFFICIAL U.S. GOVERNMENT POLICY

Required Report - public distribution

Date: 11/6/2014

GAIN Report Number: AG1409

Algeria

Dairy and Products Annual

Annual

Approved By:

Charles L. Rush

Prepared By:

Nabila Hales

Report Highlights:

U.S origin dairy products trade resumed in 2011 and exports have been on an upward trend since then and it seems for the foreseeable future. Algeria's imports of milk powder for CY2014 through August have exceeded last year's total purchases according to statistics from the Algerian customs information center.

Executive Summary:

According to Ministry of Agriculture (MoA) data, dairy production for 2013 reached 3.4 MMT compared to 3.1 MMT in 2012, exceeding the goal of 3.04 MMT. Despite the success of all of the GoA programs dedicated to increasing milk production over the past ten years, constraints still remain in animal husbandry, feed and nutrition management, as well as, the need for improved genetics, and modern fresh milk collection systems.

Increasing dairy production still remains an important government priority. The GoA allocates 46 billion Algerian dinars (\$550 million) per year to support local milk production in an effort to reduce imports.

The GoA plans to support creation of new dairy cattle farms and import 90,000 dairy cattle in the near future. Such programs provide good opportunities for U.S. exporters of dairy cattle and genetics. USDA and the MoA have begun negotiating breeder cattle and bovine genetics export protocols to facilitate trade in this sector.

Algeria remains one of the largest importers of milk powder in the world. Powdered milk imports averaged about 290 MMT valued at \$1.04 billion over the last five years. Algerian Customs officials reported recently that milk powder import figures to August 2014 have exceeded last year's total.

The government dairy buying agency (ONIL) reported that it has imported sufficient volumes to meet domestic need until July 2015. World prices decreased for milk powder at the end of CY2013 and at the beginning of CY2014, which allowed ONIL to build its stocks.

Algerian veterinary authorities contained the foot and mouth disease (FMD) outbreak that was discovered at a fattening cattle farm in eastern Algeria.

Production:

Currently, Algeria only produces about 3 MMT of fresh milk of which 70 percent is from cows, with the remaining 30 percent from sheep, goats, and camels, while the revised estimated domestic consumption is 5 MMT annually since 2009. As a result, Algeria still relies on imports for its growing needs. According to MoA data, dairy production for 2013 reached 3.4 million MT compared to 3.1 MMT in 2012. The goal for 2013 was to produce 3.04 MMT. In 2013, 701 million liters (21 percent) of fresh milk were collected, while 688 million liters were collected in 2012.

Despite the success of programs designed to increase milk production over the past ten years, constraints still remain in animal husbandry, feed and nutrition management. In addition, there is need for improved genetics and modern fresh milk collection system. The current dairy cattle herd is estimated at 300,000 head. This herd produces 3500 liters per head/year, about 10 to 12 liters/day. This output does not meet domestic demand. Moreover, pasture area is considerably smaller than needed.

As a result, increasing dairy production remains a GoA priority. The GoA allocates 46 billion Algerian dinars (\$550 million) per year to support local milk production with the goal of reducing dependency on imports. The GoA plans to reduce imports of milk powder progressively by replacing it with locally produced fresh milk by 2016.

There are several programs available to expand herd size and productivity including by increasing access to artificial insemination, embryo transfer, and pastures and importing pregnant heifers and dairy cattle. The GoA plans to support creation of new dairy cattle farms and to import 90,000 dairy cattle in the near future. According to FAS Algiers contacts, the GoA has imported 60,000 pregnant heifers over the last four years. These programs provide great opportunities for U.S. exporters of dairy cattle and genetics.

These programs also encourage local dairy players to seek partnerships to develop integrated dairy complexes, especially now that the MoA has formally invited investors, including foreigners to acquire stakes in pilot farms.

The dairy industry is comprised of about 116 dairies of which 15 are state-owned. They have always relied on imported milk powder for milk production. Reconstituted milk is the most common source of milk used in Algeria. It is produced from blended imported non-fat dry milk with anhydrous milk fat or whole milk powder. Whole milk powder is also used in most processed dairy products, and non-fat dry milk is used in ice cream production.

The private sector is the primary producer of processed dairy products (yogurt, cheese, butter, sour milk, and dairy desserts). Because of the low fixed prices for pasteurized fluid milk (A.D 25/liter), (\$0.30/liter), the private sector prefers to produce these more profitable processed products. However, state-owned group Giplait remains the leader in the pasteurized reconstituted milk market with 60 percent share.

Consumption:

The GoA estimates domestic consumption at 5 MMT annually. In terms of liters, FAS Algiers sources estimate annual demand at 120 liters/year and dairy products expenditures at about 14 percent of total household food expenditures. Dairy products are considered a staple along with cereals and potatoes. They provide an estimated 60 percent of the protein in the diet.

The milk processing industry is comprised of public and private processors. As milk is a staple, the government controls the price by importing and then reselling milk powder at highly subsidized prices. Milk is sold on the local market as three products; pasteurized reconstituted milk in small bags of one liter with 24 hour shelf-life at a GOA fixed price (AD 25); fresh milk sold directly to consumers from the farm with higher prices, and UHT in tetra pack boxes; whole milk powder is also imported in small boxes of 500g for direct sale to consumers at market price. Consumption is expected to remain stable consistent with recent higher purchasing power gains.

Trade:

Algeria remains one of the largest importers of milk powder. Algeria's powdered milk imports are about 290 million MT valued at \$1.04 billion over the last five years. Dairy products represented 13 percent (\$1.256 billion) of the total food imports (\$9.58 billion) in CY2013. U.S. exports were 9 percent of this market in 2013.

**Algerian milk powder imports
Nine-Year Comparison in MT**

	ALL Origins			U.S. Origin		
	NFDM	WMP	Total	NFDM	WMP	Total
CY2013	119322	142979	262301	26941	0	26941
CY2012	110280	188025	298305	6986	0	6986
CY2011	125373	204472	329845	0	0	0
CY 2010	97492	167070	264562	1805	0	1805
CY 2009	93000	200447	293447	15336	0	15336
CY 2008	106475	153024	259499	22633	0	22633
CY 2007	91339	161466	252805	9013	0	9013
CY 2006	67773	182302	250075	12024	0	12024
CY 2005	83383	166776	250159	11479	0	11479

Source: Algeria Official trade data

According to Algerian Customs, milk powder imports to August exceeded last year's total purchases. January through August, Algeria imported the equivalent to \$1.45 billion (284,000MT), compared to \$704.25 million during the same period of 2013, a surge of 106%, according to the Algerian Customs.

ONIL reported that it has imported sufficient volumes to meet domestic demand until July 2015. World prices decreased for milk powder at the end of CY2013 and at the beginning of CY2014, which allowed ONIL to renew its stocks.

Dairy import sources remain unchanged. Most of the nonfat dry milk powder is imported from EU countries, including France with 26 percent of the market, followed by Poland with 23 percent, the U.S. as 16 percent and Belgium 11 percent. Whole milk powder is imported from Argentina (33 percent) followed by New Zealand (14 percent), and France (11 percent). Most of the cheese comes from Netherlands (38 percent), Ireland (17 percent), and New Zealand (14 percent) and U.S. (8 percent). Butterfat originates from New Zealand (87 percent), Brazil (5 percent), the U.S. (3 percent) and France (2 percent).

**Algeria Milk Powder
January through June imports comparison
By Origin in MT**

	Jan-June	Jan-June	Jan-June CY2014
--	-----------------	-----------------	------------------------

	CY2012	CY2013	
New Zealand	39735	59979	17313
France	37911	26024	35397
Argentina	24979	17283	41776
Belgium	12932	9025	19971
Poland	15271	7445	23713
Germany	8211	5962	12302
Ireland	4332	2364	9760
Netherlands	3470	2131	6741
Great Britain	3645	300	2450
U.S.	90	2081	14944
Uruguay	1900	5573	7016
Czech	-	-	300
India	-	4251	2894
Chile	21	-	1450
Ukraine	450	450	350
Spain	-	111	863
Lithuania	-	-	100
Brazil	-	-	4200
Canada	-	75	200
Indonesia	369	116	-
Denmark	507	203	385
Australia	342	549	-
Switzerland	282	207	-
Others	173	308	223
Total	154620	144437	202348

Source: Algerian Official Trade Data

Proximity and good freight rates from Europe have always made trade with EU countries more advantageous. However, the absence of an export health certificate as well as the lack of a strong U.S presence on the market reduced U.S market share in previous years. With the reopening of the market in 2011, trade resumed and continues on an upward trend (see above tables). The Algerian dairy market closed to U.S. product in September 2010, over health certification issues. In late June 2011, U.S. and Algerian regulators came to an agreement on a new sanitary certificate reopening this lucrative market to US dairy products.

For CY2014, through June, Algeria imported from the U.S. 14,787MT of nonfat dry milk, 157MT of whole milk powder, as well as 1,063 MT of cheese and 359MT of butter.

Policy:

Increasing agricultural production is a GoA priority and the development of the dairy sector to reduce reliance on imports remains a priority as well. The MoA has established several programs to support expanding herd expansion and productivity by increasing artificial insemination, embryo transfer, and pastures area. There is also a major effort to import pregnant heifers and dairy cattle, acquisition of breeding and milk collection equipment as well as creation of new breeding farms.

The MoA also pays premiums to domestic milk producers (breeders) about 12 AD/L (\$0.14/L), 5 AD/L (\$0.06/L) to milk collectors and 4 AD/L (\$0.04/L) to dairy processors. With local processors controlling the market of dairy products (yogurt, cheese, butter, dairy desserts and fermented milk), these incentives are expected to increase the amount of fresh milk collected to produce pasteurized milk locally and encourage dairy processors to integrate fresh milk into the industry.

The domestic industry consists of about 116 dairy processing facilities, of which 15 are owned by public sector company, Giplait. Giplait dominates the reconstituted pasteurized fluid milk market, while the private processors dominate production of other dairy products.

In 2011, ONIL began providing premiums to private processors to collect and utilize domestic milk. A number of private dairies reportedly have begun to participate and domestic milk collection increased from 390 million liters in 2010 to 510 million liters in 2011, 688 million in 2012, and 701 million in 2013. The GoA also encourages local dairy processors to seek investments to develop integrated dairy operations.

According to the 2014 finance law 2014 (Art 44), the exemption from duties and VAT on animal feed inputs and co-products, including corn, dried distiller's grains with soluble (DDGS), and corn gluten feed (CGF) as well as soybean meal, was extended from September 1, 2012 to August 31, 2014 and nonrenewable. This exemption would be granted only under specifications established by the MoA. In 2012, the GoA suspended import duties and VAT on animal feed inputs and co-products, including corn, DDGS, and CGF as well as soybean meal in response to increasing international grain prices to curb inflation by moderating expected price increase for animal products, particularly meat and poultry. Previously, the import duty and VAT for corn was 5 percent and 7 percent, soybean meal 5 percent and 17 percent and for DDGS and CGF it was 30 percent and 17 percent respectively.

Marketing:

U.S. marketing activities in this sector are minimal. U.S. suppliers should strengthen market development and trade servicing activities to increase U.S. market share as well as awareness of U.S. products. The Algerian market is responsive to marketing activities focused on quality and reliability. Since the implementation of the new sanitary certificate, there has been increased interest from Algerian importers to restart trade.

Production, Supply and Demand Data Statistics:

Dairy, Milk, Nonfat Dry	2013	2014	2015
-------------------------	------	------	------

Algeria						
	Market Year Begin: Jan 2013		Market Year Begin: Jan 2014		Market Year Begin: Jan 2015	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Beginning Stocks	40	40	35	34		34
Production	0	0	0	0		0
Other Imports	119	119	115	125		125
Total Imports	119	119	115	125		125
Total Supply	159	159	150	159		159
Other Exports	0	0	0	0		0
Total Exports	0	0	0	0		0
Human Dom. Consumption	124	125	125	125		125
Other Use, Losses	0	0	0	0		0
Total Dom. Consumption	124	125	125	125		125
Total Use	124	125	125	125		125
Ending Stocks	35	34	25	34		34
Total Distribution	159	159	150	159		159
CY Imp. from U.S.	0		0	15		15
CY. Exp. to U.S.	0		0			0
TS=TD		0		0		0
Comments						

Dairy, Dry Whole Milk Powder Algeria	2013		2014		2015	
	Market Year Begin: Jan 2013		Market Year Begin: Jan 2014		Market Year Begin: Jan 2015	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Beginning Stocks	37	37	7	20		30
Production	0	0	0	0		0
Other Imports	141	143	160	170		170
Total Imports	141	143	160	170		170
Total Supply	178	180	167	190		200
Other Exports	0	0	0	0		0
Total Exports	0	0	0	0		0
Human Dom. Consumption	171	160	160	160		160
Other Use, Losses	0	0	0	0		0
Total Dom. Consumption	171	160	160	160		160

Total Use	171	160	160	160		160
Ending Stocks	7	20	7	30		40
Total Distribution	178	180	167	190		200
CY Imp. from U.S.	0	0	0	0		0
CY. Exp. to U.S.	0		0			
TS=TD		0		0		0
Comments						